

Top Secret 719

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NATIONAL INTELLIGENCE DAILY CABLE

Monday 14 November 1977 CG NIDC 77/264C



NATIONAL SECURITY INFORMATION

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State Dept. review completed

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National Intelligence Daily Cable for Monday, 14 November 1977

The NID Cable is for the purpose of informing senior US officials.

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MIDDLE EAST: Representation

[] We have no information to indicate that Palestine Liberation Organization chief Yasir Arafat approved a PLO official's remarks to newsmen this weekend that the PLO would attend the Geneva peace talks on the basis of the October joint US-Soviet statement if UN Secretary General Waldheim extended an invitation to the "representatives of the Palestinian people."

[] If Arafat approved the remarks, they would appear to represent an effort, perhaps under Egyptian and Saudi pressure, to help resolve the issue of Palestinian representation at the Geneva talks. The remarks could also be an attempt by Arafat to gain stronger assurances of a clear Palestinian role at Geneva from the UN and from the US, whose concurrence would be needed for passage of a UN Security Council resolution along the lines of the joint statement.

[] If the official, Said Kamal, was speaking officially, his remarks--which he made over the weekend at the Arab foreign ministers' conference at Tunis--constitute a significant shift away from the PLO's previous position that it would have to receive a direct invitation to Geneva. Such a shift would probably have to be endorsed by the PLO's central council.

[] Kamal also stipulated that the US-Soviet statement would have to be "considered" a UN Security Council document. He did not elaborate on how that could be done. []

OPEC: Impact of Price Hike

25X1 [] A 5- to 10-percent oil price hike by the Organization of Oil Exporting Countries next month would hurt the economic performance of the rest of the world next year.

25X1 [] A 10-percent hike, for example, would damage the 1978 performance of the seven major industrialized countries as follows:

- GNP would be an average of one-half percent lower than it otherwise would be.
- National inflation rates would rise between 0.5 and 1.3 percentage points.
- The combined trade deficit would increase by \$7.3 billion, with the US accounting for 40 percent of the rise.

25X1 [] Such a boost in oil prices would thus retard an already disappointing recovery process that has been marred by persistent large-scale unemployment, endemic inflation, a near-crisis in investor confidence, and a dalliance with protectionist measures.

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[] The smaller non-Communist industrial nations would be hit even harder by a 10-percent increase. For one thing, the reduction in domestic demand would be greater in these countries because a higher proportion of their income goes for imported oil. Second, their heavy reliance on sales to major industrial markets also makes many of them vulnerable to an oil-induced shrinkage in Big Seven demand. The smaller countries as a group would suffer a 0.6-percent loss in GNP and a \$2 billion deterioration in their trade balance. A number of these countries already are grappling with serious growth or payments problems or both.

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[] As for non-OPEC developing countries, a 10-percent oil price rise would worsen their combined current account deficit by adding, directly and indirectly, \$2.3 billion to import costs. These developing countries would need to draw down foreign exchange reserves still further or seek additional foreign loans if losses in domestic growth and consumption are to be avoided.

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[] In calculating our results, we assumed that rises in the price of oil would affect all oil moving in international trade. We further assumed that fiscal policies in the seven major industrial countries would not be adjusted either to offset or to reinforce the effects of an oil price hike. Monetary policy would be accommodating--that is, the money supply would be permitted to adjust to changes in the demand for money stemming from the oil price hike.

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[] In reality, policy reactions would differ from country to country because of differences in the impact of the price hike and in the seriousness of unemployment, inflation, and international indebtedness. Among the seven major industrial countries, for example, Italy would be a big loser, with a 0.9-percent loss in GNP. Japan, while having to pay nearly \$3 billion more for its oil, is obviously in a better position to absorb the blow, given its trade surplus and large foreign exchange holdings.

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[] Among the smaller industrial countries, the Netherlands and Norway would fare reasonably well because of their large net exports of oil and gas, which are sold at world prices. Turkey, on the other hand, could be brought to the financial breaking point by the extra \$140 million it would have to pay

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for oil imports. Brazil, already hit by sharp declines in the prices of key exports, would encounter great difficulty in absorbing a \$400 million to \$500 million increase in its oil bill.

USSR-JORDAN: Military Aid

Soviet First Deputy Minister of Defense Sokolov is scheduled to arrive in Jordan tomorrow for a four-day visit, presumably to discuss military assistance. For the past several years, the Soviets have been trying to sell military equipment to Jordan on a regular basis, but King Husayn has always been wary of the risks of serious dealings with Moscow.

There is no indication that Husayn has made a decision on the Soviet offers or that the Jordanian military is ready to receive Soviet equipment. Amman still appears to oppose the Soviet military presence in Jordan that an aid contract would involve. It also appears wary of the political consequences of such an involvement.

//There has, however, been a perceptible improvement in Soviet-Jordanian relations over the past year. Diplomatic activity between the two countries has increased, and last summer the Jordanian Government made its first request for major economic aid from the USSR. The scheduling of the Sokolov visit, which was arranged last month, is the most recent example of this warming trend.//

ETHIOPIA: Atnafu Executed

25X1 [] The Ethiopian Government announced yesterday that Lt. Col. Atnafu Abate, the vice chairman of the ruling military council, had been executed on Saturday for opposing the regime's socialist policies. According to the announcement, Atnafu's "anti-revolutionary" attitude had become apparent during recent meetings of the 70-member council.

25X1 [] Atnafu was once considered a chief rival of council Chairman Mengistu, but his influence declined sharply after Mengistu eliminated other key council members in February and became the single strongman. Atnafu seemed to have no real power on the council and no base of support within the military. He may have begun seeking support from dissident military elements, prompting Mengistu to eliminate him before he became a threat.

25X1 [] Atnafu may have advocated more moderate policies than Mengistu and other council members, but it is unlikely that he posed a serious threat to the regime. If he had in fact expressed opposition to Mengistu's policies, he was probably acting mainly on his own. If this was the case, his execution is not likely to disrupt the council's cohesion or jeopardize its support within the military. Addis Ababa remains calm, and there are no signs that Atnafu's death has provoked a serious crisis. []

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BRIEFS

El Salvador

25X1 [] Demonstrators who occupied the Ministry of Labor in El Salvador last Thursday have released their hostages and withdrawn from the building. The 1,500 demonstrators, supporting striking workers at three textile plants, held two cabinet ministers and about 150 employees of the Labor Ministry hostage for over two days. The decision to withdraw was made when the Labor Minister promised to summon the owners of the textile factories for discussions. []

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Ghana

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[redacted] Ghana's military regime last week announced the completion of voter registration in preparation for the country's scheduled return to a civilian form of government in July 1979. The regime's data show 86 percent of Ghana's eligible voters registered, but the US Embassy in Accra believes the real figure is much lower.

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[redacted] The registration period had to be extended several times because citizens, made apathetic by the prospect of General Acheampong probably retaining power as the head of a future civilian government, turned out in low numbers. A popular referendum will be held next March to approve Acheampong's proposed "union" form of civilian government; general elections will follow in June 1979. [redacted]

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